

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for the California Solar
Initiative, the Self-Generation Incentive Program
and Other Distributed Generation Issues.

Rulemaking 12-11-005
(Filed November 8, 2012)

**INFORMAL POST-WORKSHOP COMMENTS OF SAN DIEGO GAS & ELECTRIC
COMPANY (U902E)**

Thomas R. Brill
Attorney for:
SAN DIEGO GAS & ELECTRIC COMPANY
8330 Century Park Ct.
San Diego, CA 92123-1530
Telephone: (858) 654-1601
Facsimile: (858) 654-1586
E-mail: TBrill@semprautilities.com

Dated: May 30, 2014

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding Policies,
Procedures and Rules for the California Solar
Initiative, the Self-Generation Incentive Program
and Other Distributed Generation Issues.

Rulemaking 12-11-005
(Filed November 8, 2012)

**INFORMAL POST-WORKSHOP COMMENTS OF SAN DIEGO GAS & ELECTRIC
COMPANY (U902E)**

I. INTRODUCTION

San Diego Gas & Electric Company (“SDG&E”) hereby submits its informal Post-Workshop Comments on possible guiding principles that should be followed in designing a new standard tariff or contract for Net Energy Metering (“NEM”) customers pursuant to Assembly Bill (“AB”)327.¹ As is discussed in greater detail below, while SDG&E generally agrees with the seven Guiding Principles that have been suggested by Energy Division, adoption of three overall Guiding Principles would achieve all of Energy Division’s suggested goals, and in a manner that sets forth a strong policy basis for future California Public Utilities Commission (“Commission” or “CPUC”) decision-making.

II. THREE OVERARCHING PRINCIPLES WOULD ACHIEVE ALL OF THE COMMISSION’S AND LEGISLATURE’S POLICY GOALS

SDG&E submits that adoption of the following three Guiding Principles would allow the Commission to achieve all of the objectives of AB327, and in a way that promotes market certainty; is simple, transparent and equitable; promotes innovation in a technologically neutral manner for resources that promote economic efficiency; is flexible and can be easily modified as market conditions change; and promote other CPUC and legislative policy goals. On this basis,

¹ While SDG&E is happy to submit informal comments, the issues addressed herein are of sufficient importance to warrant, and in fact necessitate, a formal Commission process including filed opening comments, reply to comments, evidentiary hearings and ultimately a Commission decision on the merits.

SDG&E submits that the Commission should adopt the following Guiding Principles for the NEM successor tariff/contract:

1. Customers who receive service under the NEM successor tariff/contract should pay for the utility services they receive based on the costs the utility incurs to provide those services;
2. Customers who receive service under the NEM successor tariff/contract should be compensated for the benefits they provide to the grid; and
3. To the extent that incentives or cross-subsidies are deemed necessary to fulfill public policy objectives such as those embraced by AB327, those incentives/subsidies should be clear and transparently identified and in a manner that allows for adjustments to ensure policy objectives continue to be fulfilled as market conditions change.

Adoption of the forgoing would lead to the adoption of rules that will create a market structure that will promote stability, certainty, allow for long-term growth in NEM and support public policy goals. Adoption of these Guiding principles would also encourage new innovation such as creative storage opportunities; absent the adoption of these Guiding Principles, we will jeopardize opportunities to achieve true energy efficiency. In addition, SDG&E supports the inclusion of customer protections, which would also be achieved by the three principles above, as well as the development of a successor tariff that is easy for customers to understand.

A. Customers who Receive Service Under the NEM Successor Tariff/Contract Should Pay for the Utility Services they Receive Based on the Costs the Utility Incurs to Provide those Services

The first goal recognizes that, although the nature of services provided by utilities to customers with Distributed Generation (“DG”) is different from the nature of services provided by utilities to customers for whom energy is procured from central station resources, every customer uses the utility and the grid in some fashion and therefore should share in the costs of these services. If customer “A” uses certain services, such as the distribution grid, but avoids paying for these services, then non-participating customers are forced to cover the costs of the services provided to Customer “A.” Accordingly, SDG&E submits that sustainable growth

should be defined as growth that provides for non-participant indifference. Non-participating customers subsidizing NEM customers is not equitable and also deprives customers who are considering a distributed generation investment of accurate information that would allow them to make a fully informed decision. Unless or until utilities are able to charge for the services they actually provide, without regard to any after-meter investments a customer has made, a market structure will not exist that can support sustainable DG growth in these markets into the future.

B. Customers Who Receive Service under the NEM Successor Tariff/Contract Should be Compensated for the Benefits they Provide to the Grid

To the extent that customers who adopt solar are able to provide benefits to the utility grid that create benefits for other customers, they should be compensated on the basis of the costs the utility is able to avoid when they provide those services. One significant service that solar customers enable utilities to avoid is electric commodity production. Other benefits, such as ancillary services, that solar customers may provide to the grid need to be explored further together with how these types of services should be compensated.

C. Incentives/Subsidies Should be Clear and Transparently Identified and in a Manner that Allows for Adjustments to Ensure Policy Objectives Continue to be Fulfilled as Market Conditions Change.

Guiding principles which would require the creation of a NEM successor tariff/contract that both compensates customers for the benefits they provide to the grid and requires customers to pay for the utility services they receive would create a market structure that allows for continuous growth in NEM. However, by itself, adoption of these principles may not be sufficient to ensure sustainable growth or ensure that other legislative and Commission policy goals can be fulfilled. In order to accomplish those policy goals, the Commission may determine that incentives or subsidies are necessary.

AB327 includes the following objectives:

- (1) Ensure that the standard contract or tariff made available to eligible customer-generators ensures that customer-sited renewable distributed generation continues to grow sustainably and include specific alternatives designed for growth among residential customers in disadvantaged communities.
- (2) Establish terms of service and billing rules for eligible customer-generators.
- (3) Ensure that the standard contract or tariff made available to eligible customer-generators is based on the costs and benefits of the renewable electrical generation facility.
- (4) Ensure that the total benefits of the standard contract or tariff to all customers and the electrical system are approximately equal to the total costs.
- (5) Allow projects greater than one megawatt that do not have significant impact on the distributed grid to be built to the size of the onsite load if the projects with a capacity of more than one megawatt are subject to reasonable interconnection charges established pursuant to the Commission's Electric Rule 21 and applicable state and federal requirements.²

The third and fourth goals set forth above would be fulfilled by ensuring that customers pay for the services they receive and are compensated for the services they provide to the grid. However, accurate price signals for these services, by themselves, may not be adequate to ensure that customer-sited renewable distributed generation continues to grow sustainably and provide for growth among residential customers in disadvantaged communities. To accomplish these objectives, the Commission may determine that subsidies or incentives are necessary. SDG&E supports NEM for disadvantaged communities and submits that any such incentives or subsidies that are deemed necessary should be transparently and separately identified. This would allow those incentives to be ratcheted up or down to the extent necessary to ensure that public policy goals are being fulfilled as market conditions change from year to year, based on actual market results. It would ensure that rates are determined on the basis of the cost to provide a service

² Public Utilities Code Section 2827.1(b).

rather than a desire to promote a technology. It would also ensure that the overall level of cross-subsidies could be monitored and controlled.

With regard to the fifth AB327 objective above, SDG&E studies each project on a case by case basis, using the Rule 21 interconnection process. If the system in question is larger, for example 1.5 megawatts or below, distribution planning evaluates the project via fast-track screening criteria. If no significant impacts to the distribution grid are identified, SDG&E would not oppose and the project would be interconnected to SDG&E's system. If the project fails the screening criteria and is over 1.5 megawatts, typically a more in depth review would be necessary.

Currently, NEM projects do not go through the fast track or the more in-depth study process as those systems typically serve a customer's load. At a minimum, the fast-track process should be required for larger NEM systems to determine if those projects result in significant impacts to the electric grid. SDG&E submits that a project would have a "significant impact" on the distribution system if it triggered the need for electric distribution upgrades, including if the project would cause voltage issues to other customers. In addition to employing a screening or study process for NEM projects greater than one megawatt, location of the system (specifically its location relative to a substation or if the system is located in a densely populated area) should be considered. SDG&E submits that this is not a complete list of potential metrics to consider on this issue and reserves the right to include additional metrics as the proceeding progresses.

III. CONCLUSION

For the forgoing reasons, SDDG&E submits adoption of the following three Guiding Principles would allow the Commission to achieve all of the objectives of AB327, and in a way that promotes market certainty; is simple, transparent and equitable; promotes innovation in a technologically neutral manner for resources that promote economic efficiency; is flexible and

can be easily modified as market conditions change; and promotes other CPUC and legislative policy goals:

1. Customers who receive service under the NEM successor tariff/contract should pay for the utility services they receive based on the costs the utility incurs to provide those services;
2. Customers who receive service under the NEM successor tariff/contract should be compensated for the services benefits they provide to the grid; and
3. To the extent that incentives or cross-subsidies are deemed necessary to fulfill public policy objectives such as those embraced by AB327, those incentives/subsidies should be clear and transparently identified and in a manner that allows for adjustments to ensure policy objectives continue to be fulfilled as market conditions change.

SDG&E appreciates the opportunity to submit these Post-Workshop Comments.

Dated: May 30, 2014

San Diego Gas & Electric Company

/s/ Thomas R. Brill

By: Thomas R. Brill

Attorney for: SAN DIEGO GAS &
ELECTRIC COMPANY

8330 Century Park Ct.

San Diego, CA 92123-1530

Telephone: (858) 654-1601

Facsimile: (858) 654-1586

E-mail: TBrill@semptrautilities.com